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United States Department of the Interior, Stewart L. Udall, Secretary
Fish and Wildlife Service

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THE NATIONAL MARKETING CORPORATION (NAMARCO) 1/

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INTRODUCTION

From time to time this office has reported on the functions of NAMARCO in order to keep FAS/W informed about this rather important food distribution organization. This report is a review of these functions and also touches briefly on NAMARCO's operations since the last reference despatch.

NAMARCO

Objectives of the Corporation

The National Marketing Corporation (NAMARCO) is a government-owned and -controlled corporation created by Republic Act No. 1345 (6/17/55), as amended by Republic Acts Nos. 1601 (8/14/56) and 1791 (6/21/57) to take over the functions of the old Price Stabilization Corporation (PRISCO). However, while PRISCO's objective was mainly price stabilization, there were two important reasons for the creation of NAMARCO, namely: (1) to assist Filipino retailers and businessmen by supplying them with merchantable goods at prices that will enable them to compete successfully in the open market so that they may have greater participation in the distribution system of the national economy; (2) to stabilize prices of commodities in short supply by procuring such commodities and distributing them to the general public at fair prices through Filipino businessmen only.

Organization

The corporate powers of the Corporation are vested in and exercised by a board of Directors of seven members consisting of the Secretary of Commerce and Industry, as ex officio Chairman, and six members who are appointed for three-year terms by the President, with the consent of the Commission on Appointments. The management of the Corporation is vested in a General Manager who is also appointed by the President with the consent of the Commission on Appointments.

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1/ Information supplied by United States Embassy, Manila.

Aside from its corporate duties, the Board is empowered to appoint and fix the compensation of the Assistant General Manager, subject to the approval of the President, and to appoint and fix the compensation of a secretary of the Board and such other corporate officials as may be needed.

The Corporation is organized as follows:

1. Purchasing Department - responsible for the procurement, or arranging for the procurement, of required commodities;

2. Marketing Department - responsible for the sale and distribution of commodities through appropriate outlets;

3. Traffic-Storage Department - responsible for the transportation, shipping and warehousing of stocks and commodities.

In addition, the General Manager has the following specified staff offices to assist him in his work:

1. Personnel Office
2. Finance Office
3. Market Analysis Office
4. General Service Office
5. Office of the General Counsel
6. Auditing Office

Tax-Exemption

The NAMARCO is exempt from all taxes incidental to its operations except as herein provided for: All notes, bonds and debentures and other obligations issued by the NAMARCO are exempt from all taxes, both as to principal and interest, except inheritance and gift taxes.

It is clear from the above that all importations of NAMARCO are tax-exempt. However, they do pay the foreign exchange margin on all except decontrolled items. In the latter case they apply to the Central Bank for exemption and to date have always been granted that exemption. The decontrolled items so affected are corned beef, chopped beef, canned fish, and canned milk.

Capitalization, Revolving Fund and Dollar Quota Allocation

1. The NAMARCO has a revolving fund of 30 million pesos (₱30-M) subscribed entirely by the Government of the Philippines for the purpose of financing its business transactions.

2. The Board is authorized to appropriate out of the gross earnings of NAMARCO each fiscal year such amount as may be necessary to defray its operating expenses, but in no case shall the amount exceed two million pesos (₱2-M), subject to the approval of the President. The Board, however, may not appropriate out of its authorized capital any amount for operating expenses.

3. To enable the Corporation to implement its functions effectively, the Central Bank of the Philippines is authorized and directed to make available to the NAMARCO a yearly foreign exchange allocation of 20 million dollars ($20-M), of which at least five million dollars ($5-M) should be used for the purchase or procurement of essential and/or highly essential consumer goods as classified by the Central Bank. However, when the NAMARCO finds and determines that there is a sufficient supply at reasonable prices of any locally produced, processed or manufactured commodity, it should not import such commodity.

In connection with its imports, NAMARCO purchases are made through public biddings by indentors in the Philippines.

Commodities NAMARCO Deals In

NAMARCO is an importer and wholesaler of the following items:

1. Canned meat (corned beef, chopped beef, vienna sausage potted meat).
2. Canned fish (sardines, salmon, anchovies, mackerel).
3. Canned squid and cuttlefish.
4. Canned milk (powdered, evaporated, condensed).
5. Textiles (blue denim and khaki)
6. Hardware items (G.I. sheets, hogwire, poultry wire, automotive spare parts, steel pipes, etc.).

According to a reliable source NAMARCO now imports approximately 70 percent of the total milk coming into the country (including about 50 percent of the evaporated), 35 percent of the canned corn beef, 26 percent of the sardines, and about 22 percent of the salmon. Of total food imports NAMARCO's share is only about 8 percent.

Occasionally one hears stories that NAMARCO intends to add to or expand the above list of commodity items. It is felt, however, that this move is not very likely until such time that the agency might be appropriated more money than it needs for its regular items.

The Corporation is also an exporter of cottage industry products such as saguran, abatex, wood and bamboo products, placemats, napkins, etc.

Management History

During the transition period (from PRISCO to NAMARCO), Ismael Mathay, then PRISCO general manager, served as acting general manager of the NAMARCO. At the formal organization of the latter, Manuel Dindo J. Gonzales, reportedly a close friend of President Magsaysay, was designated General Manager. At the time, the Secretary of Commerce and Industry was Oscar Ledesma, a pillar of the sugar bloc, and now Senator. Gonzales served from August, 1955 to October, 1956 when he resigned. Benjamin F. Estrella, brother of Pangasinan Governor Conrado F. Estrella, took over from Gonzales and served up to January, 1960 when he was allowed to resign. Marcelo S. Balatbat then took over.

Balatbat is a known advocate of the "Filipino First" policy of the administration. As part of his nationalistic policy, NAMARCO-imported canned goods will now all come in in tri-color labels --- red, white and blue --- in spite of the objections from indentors. The first shipment of NAMARCO goods in tri-color labels arrived on October 11, 1960 from Walbis, South Africa. It consisted of 35,000 cases of "Marine" brand sardines in tomato sauce canned in South Africa. The word "NAMARCO" is embossed on the top and bottom of the tin, making it impossible to hide its identity as NAMARCO goods, even if the labels are replaced. The main purpose of this type label is to try to put a stop to the blackmarketing of NAMARCO goods.

After Balatbat was appointed to the Monetary Board of the Central Bank, Jose Y. Orosa, a well-known businessman who was former general manager of Heacocks, Inc., took over the management of NAMARCO (September, 1960). He has given the assurance that all items imported by the NAMARCO will soon come out only in tri-colors. The latest report is that all imports after November 1960 are to bear the tri-color label.

Trading Scope

The Corporation has expanded its sales outlets to meet the growing demand for more NAMARCO goods. As of June 30, 1959, NAMARCO had 576 grocery distributors, 11 supermarkets, 485 special retailers, and around 40,000 retailer beneficiaries. Grocery distributors are described as those with a minimum of ₱10,000 capital, while retailer beneficiaries are ordinary retailers with at least ₱5,000 capital. Special retailers are those who get direct allocations from NAMARCO and usually handle special category items such as hardware, automotive spare parts or textiles; they rarely handle groceries. While it might appear that those in this last category, the special retailers, would have an unfair advantage over commercial dealers in something such as automotive parts, it should be remembered that these allocations go to Filipinos and that the purpose of NAMARCO is to "filipinize" the retail trade.

The trading operations of the NAMARCO consist mainly in the procurement of prime commodities and the sale thereof to the consuming public through NAMARCO organized outlets (as mentioned above) all over the country.

The comparative totals of NAMARCO's import orders through negotiated letters of credit, by fiscal years, are as follows:

1955/56	$ 6,538,710
1956/57	30,603,035
1957/58	20,397,140
1958/59	14,864,165

The importations could not be received within the fiscal year indicated, however, so that actual purchases during the period cover only those actually received, tabulated as follows:

1955/56	₱ 8,273,935.65
1956/57	55,370,093.40
1957/58	60,478,140.89
1958/59	38,305,959.19

Periodic limitations of its dollar allocations caused the decrease in total purchases.

From June 18, 1955 to June 30, 1959, NAMARCO imported a total of 3,360,049 cases of evaporated milk valued at ₱20,923,616.55. Of the total number of cases, about 40 per cent was "Carnation" brand, 22 per cent "Alpine", 16 per cent "Dutch Baby" and 10 per cent "Alaska". For the same period, the Corporation also imported some 444,753 cases of condensed milk with a total value of $3,190,463.60. The four top brands were "Four Cows" - 33%; "Dutch Baby" - 26%; "Alaska" - 24%; and "Milkmaid" - 9%. NAMARCO's imports of powdered and natural milk for the same period were valued at $552,435.50.

For the period covering the fiscal years 1955/56 to 1958/59, the Corporation imported a total of 327,680 cases of corned beef with a total value of $3,937,693.70. For the same period, it also imported some $1,360,880 worth of anchovies and Jack mackerel, some $3,501,376 worth of salmon and squid, and about $3,087,170 worth of sardines.

The following are some examples of the present price differences between NAMARCO-imported goods and commercially imported goods of the same brand:

	NAMARCO goods	Commercial goods
"Alpine" evap, tall tin	₱0.35	₱0.40
"Carnation" evap, tall tin	.35	.40
"Alpine" & "Carnation" evap, small - 2 for	.35	.20 (each)
"Hemo" malted milk, can (lb)	2.40	2.60-2.70
"Del Monte" sardines, oval	.65	.70-.75
"Hereford" corned beef, can	.80	.85-.90
"Libby's" corned beef, can	1.00	1.10-1.15
"Red Dragon" salmon, tall can	1.50	1.70-1.80
"Velera" squid, can	.30	.35- .40

NAMARCO's Successes, Failures and Outlook

The NAMARCO, aside from the Central Bank, is about the only state agency which, under honest administration, can keep prices at a fairly steady and reasonable level. However, only to a limited extent has the NAMARCO succeeded in keeping prices of prime commodities in line and in accelerating "Filipinization" of the retail trade since its beginning in 1955. The reasons for this are said to be that many distributors and retailers channel their goods to the black market and that management has not performed up to expectations because of political pressures and manipulations.

Businessmen in the private sector have aired and continue to air their complaints against the NAMARCO. Their main gripe is that the Corporation is unduly competing with them and may drive them out of business. They point out that its annual allocation of $20 million, not to mention its special allocations every year, is getting a very big share of the wholesale and retail business, especially in canned milk, canned meat and canned fish. The Corporation has the added advantage of being tax-exempt, so it could purchase and then sell its goods some 30-40 per cent cheaper than the legitimate importers. They point out that NAMARCO is offering stiff competition and may hamper rather than accelerate the Filipinization of the retail trade.

There have been and still are doubts as to whether NAMARCO is the best method of Filipinizing the retail trade. It must be recognized that NAMARCO has many advantages -- its most potent weapon being its exemption from taxes -- in order to accomplish its objectives. It is an obvious, and yet a hard, fact that the NAMARCO, in order to accomplish its objective of "Filipinizing" trade, must inevitably compete with, step on, and perhaps drive out some of the established businessmen.

While we make no attempt to judge allegedly anomalous activities of NAMARCO in connection with its import program, there seem to be some examples of mistakes in the manner in which NAMARCO has gone about trying to accomplish its objectives of Filipinizing the retail trade and price stabilization, among them:

1. It is charged that NAMARCO in the past has failed to bring in the quantities of goods that the retailers whom it was charged with helping needed to keep their stores going.

2. NAMARCO seems always to think of its activities in terms of imported goods. It has been suggested instead that NAMARCO concentrate on the distribution of locally produced articles. In this way NAMARCO would be assisting local producers as well as retailers and consumers. (According to the ex officio Chairman of the NAMARCO Board, the Corporation has at last decided to undertake the distribution of locally produced goods.)

3. A third questionable practice is the tie-in sale: NAMARCO has apparently in some cases imported slow-moving items which the retailers naturally do not like. To avoid getting stuck with these goods, NAMARCO has forced the retailers to accept the goods they do not want if they are to get the goods they do want. It is felt that the retailers should not be made to bear the burden of the poor buying practices of NAMARCO.

Blackmarketing is still a big black mark against many NAMARCO retailers and distributors. As a result, by the time the goods reach the hands of the consuming public, the price is high and sometimes higher than that charged by private importers. Thus the purpose for which the government set up the Corporation is sometimes defeated. The public does not benefit fully from its

operations, and the government loses the money that it spends to run it and the taxes that private firms would have paid if they did the importing.

Besides these undesirable results, the businessmen are placed in a position of uncertainty and instability by government competition. While it is true that the NAMARCO does not import a great deal of goods, private importers are still wary and cautious in making their importations because if they happen to import the same goods that the NAMARCO does, they stand to lose by being forced to meet NAMARCO's lower prices.

NAMARCO has its good points, however. Without NAMARCO goods, prices of food commodities, especially imported canned foodstuffs, would in all probability be much higher than they are. A case in point was the 45-day strike in the NAMARCO in 1958. Because of the strike, NAMARCO goods could not be distributed. It was not long before canned meat and canned milk disappeared from NAMARCO-assisted retailers because of the big demand. Prices of "commercial" foodstuffs skyrocketed and private importers raked in huge profits. When the NAMARCO resumed its normal distribution of canned goods, prices also gradually returned to normal levels.

The NAMARCO has a corporate life of 25 years. If its charter is not repealed, it has about 20 years more to accomplish one of its aim: Filipinization of the retail trade. It has had only moderate success in its price stabilization drive. On the other hand, some of its failures have tended to legitimatize the stand of the private businessmen that government should leave the export and import trade to them.

Republic of the Philippines
NATIONAL MARKETING CORPORATION
Manila

Guiding Principles Governing the Extension of
Trade Assistance to Filipino Retailers and Businessmen

A trade assistance program is hereby adopted pursuant to the objectives of the NAMARCO to assist Filipino retailers and businessmen by supplying them with merchantable goods at prices that will enable them to compete successfully in the open market so that they may have greater participation in the distribution system of our economy. The trade assistance program shall take the form of general and specific distribution.

General distribution shall comprise the sale and distribution to registered and qualified retailers, cooperatives and associations of retailers, and FACOMAS, of NAMARCO goods through existing NAMARCO Agencies, and in lieu of, or supplementing such agencies, to designated NAMARCO distributors.

Specific distribution shall comprise the procurement of NAMARCO goods specifically for, and distribution exclusively and directly to duly registered and qualified wholesalers and/or associations of wholesalers, and producers for purposes of resale or production.

NAMARCO shall appoint distributors from among Filipino wholesalers, associations of wholesalers, cooperatives and associations of retailers, and the Central Cooperative Exchange, based on financial condition and credit standing; distribution facilities, quarterly volume of sales, and proven reliability and competence.

Appointed NAMARCO distributors shall wholesale exclusively to Filipino retailers and businessmen.

Applications for specific distribution shall be received only from such NAMARCO distributors as can show evidence of the needs of retailers; cooperatives and associations of retailers; wholesalers, and associations of wholesalers, for resale at their respective outlets; and of direct requirements of raw materials and productive equipment and accessories of producers, within their jurisdiction.

NAMARCO importations of goods shall be apportioned as follows: For consumers' goods - 80%, broken down as follows: Food - 60%; Clothing - 20%; Shelter - 15%; Health - 5% and for producers' goods the remaining 20%.

Importations for general distribution shall consist of 50% of the quota to be used for commodities under Food; importations for specific distribution shall comprise 50% of the quota to be utilized for food plus the entire allotments for clothing, shelter and producers goods.

Prices of NAMARCO goods shall be established below the current wholesale market prices. NAMARCO distributors shall sell NAMARCO goods to FACOMAS, cooperatives and associations of retailers at NAMARCO cooperative prices; to individual retailers at NAMARCO wholesale prices; and to producers at prices below the usual prices of importers. Cooperatives and associations of retailers, wholesalers and associations of wholesalers and the Central Cooperative Exchange shall wholesale NAMARCO goods distributed thru them exclusively to their members at NAMARCO wholesale prices.

Accomplished application forms of cooperatives and associations of retailers; wholesalers and association of wholesalers; and FACOMAS shall be registered and filed with the nearest NAMARCO agency or duly authorized NAMARCO distributor operating in the locality. Applications for designation as NAMARCO distributor shall be filed directly with the Marketing Department, NAMARCO, Manila. Forms for the aforementioned applications are available at all NAMARCO agencies and the Marketing Department of the NAMARCO, Manila.

Republic of the Philippines
NATIONAL MARKETING CORPORATION
Manila

OBJECTIVES AND POLICIES OF THE NATIONAL MARKETING CORPORATION

The objectives of the Corporation as set forth in R.A. 1345 may be briefly stated as follows: The procurement of primarily essential goods and their distribution at reasonable prices to the consuming public through Filipino retailers and businessmen, providing at the same time incentives or assistance in the distribution system of our economy.

Such incentives or assistance are intended to help retailers and businessmen establish themselves and gain a foothold in the distribution system until such time as they may rely upon their own resources and become independent of government aid.

The following policies and objectives, may be adopted:

I. PROCUREMENT

a) NAMARCO shall endeavor to import or locally purchase the types of goods or commodities which reflect predominantly the essential requirements of the public (particularly of the common masses), in relation to supply and demand conditions during any particular period, with the aim in view of making available such goods at prices within the reach of people in any particular region.

b) Selection of the various brands of specifications of a particular type of commodity to be procured shall however, be made only subsequent to the receipt of offers received by virtue of announced or advertised requests for the supply of a type of commodity, and of quotations submitted directly by manufacturers and suppliers and other sources. Labels and containers of imported products that can be marked shall be required to be marked "NAMARCO" or "Especially packed for NAMARCO". This will enable the NAMARCO to trace the movement of such commodities.

c) Procurement of locally manufactured, produced or grown commodities shall be undertaken directly with the manufacturers, producers or farmers thereof; and in case of farm products shall be done by NAMARCO agents in conjunction with ACCFA and/or Facomas, Agricultural supervisors, provincial commercial agents.

Outright local purchase shall be limited to commodities actually needed by Filipino retailers and/or producers.

NAMARCO may purchase products directly from Filipino producers, farmers and manufacturers also on consignment basis, for distribution by NAMARCO agencies, Facomas, and/or authorized retailers cooperatives.

d) NAMARCO shall refrain from importing counterparts of articles or produce which are manufactured or grown locally in sufficient quantities; are comparable in quality to imported commodities; and being sold at reasonable or competitive prices. It shall also refrain from importing counterparts of articles or produce which are manufactured or grown locally but in insufficient quantities, if private importers are already bringing in the balance of the requirements and the same are selling at reasonable prices to retailers and consumers.

e) NAMARCO may set aside a portion of its regular dollar quota allocation for the purpose of importing for and in behalf of the duly qualified Filipino retailers and consumers cooperatives, Central Cooperative Exchange (Facomas), and producers, provided that the beneficiary

1) does not have a dollar quota allocation from the Central Bank;

2) requests for commodities classified as highly essential and essential categories in the case of the Central Cooperative Exchange and Filipino retailers and consumers cooperatives; preference being given to provincial merchants.

3) if producer, should already be in actual operation; preference to be given to those using predominantly local raw materials, and engaged in dollar-earning and other essential industries;

4) complies with all the conditions which may be set up by NAMARCO covering importations, distribution and/or disposition of commodities; and that

5) the extent of importation for any of the beneficiaries mentioned above shall be in accordance with their line of business, sales and/or actual production.

f) The quantities to be bought of any commodity, as well as the times when they are to be procured by NAMARCO should be aimed at providing a continuous or regular flow of supply, subject to the limitations of the Corporation's finances and dollar allocation, its availability, its stock position, seasonality of production and of consumption, and the trend of market and business conditions.

II. DISTRIBUTION

a) Distribution of goods or commodities by the NAMARCO shall be effected through proper publication and promotion regarding their availability, arrival, prices, and methods of sale.

b) Prices shall be established upon taking into account consumer purchasing power, current market prices, costs of procurement and distribution of NAMARCO and its agents, as well as those of private importers and traders. The aim should be to establish prices for commodities at levels which shall benefit the consuming public but at the same time not prejudice private enterprise.

Sales shall be made on cash basis. However, sales may be made on credit payable within 30 days when such are guaranteed by the Filipino Retailers' Fund.

c) In the distribution of goods, NAMARCO shall utilize its provincial agencies, and where there are areas not being served or which cannot be served adequately by such agencies, NAMARCO shall utilize the distribution facilities of qualified Filipino retailers cooperatives and FACOMAS to undertake wholesale distribution provided that such Filipino retailers cooperatives and FACOMAS comply with NAMARCO regulations. Filipino retailers cooperatives or FACOMAS appointed as distributors shall be served with commodities at distributor's prices.

In the distribution of NAMARCO commodities emphasis shall be placed in cities, municipalities and areas where alien retailers predominate over trade.

d) Encouragement shall be given to local producers engaged in home industries toward the development of foreign markets for them, and for this purpose NAMARCO shall procure locally produced commodities for exportation and/or marketing through exporters. In the local distribution of domestic commodities, NAMARCO shall utilize the distribution facilities of Facomas or Filipino retailers cooperatives, and such other channels of distribution as would tend to develop the market for such products.

Close supervision and administration of NAMARCO agencies and distributors shall be stressed to minimize irregularities or anomalies and collusion between Agent Cashiers and employee with Filipino merchants or their representatives.

Rules and regulations for the proper implementation of the foregoing policies in the procurement and distribution of NAMARCO's goods shall be promulgated for compliance of all concerned.

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